

PROVINCE OF SASKATCHEWAN



2008

ANNUAL REPORT

SASKATCHEWAN GOVERNMENT INSURANCE
SERVICE RECOGNITION PLAN



Table of Contents

Letters of Transmittal	2
Introduction.....	3
Enrollment.....	3
Benefits	3
Management's Report	4
Actuary's Opinion.....	5
Financial Statements	
Auditor's Report	8
Statement of Net Assets Available for Benefits and Accrued Benefits	
Obligation and Surplus.....	9
Statement of Changes in Net Assets Available for Benefits.....	10
Statement of Changes in Accrued Benefits Obligation	11
Notes to the Financial Statements	12

Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2008.

A handwritten signature in black ink, appearing to read "Rod Gantefer".

Rod Gantefer
Minister of Finance

The Honourable Rod Gantefer
Minister of Finance

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2008.

A handwritten signature in black ink, appearing to read "Brian Smith".

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Government Insurance Service Recognition Plan

Introduction

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) effective January 1, 1999 for the payment of retirement benefits to certain employees.

The Plan is not registered under the *Income Tax Act (Canada)*. SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to participants of the Plan. Benefits are funded out of SGI's current operations.

SGI was the administrator of the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan pursuant to *The Financial Administration Act, 1993*.

Enrollment

SGI out-of-scope employees receive benefits from the Plan, provided they meet eligibility requirements. At December 31, 2008, there were 258 (2007 – 251) members in the Plan and 20 (2007 – 9) terminated participants who received benefits from the Plan during the year.

Benefits

Participants in the Plan are eligible for benefits upon termination of employment provided they meet eligibility requirement of the earlier of the employee attaining age 50 or the sum of the employee's age and years of service is at least 75. Employees meeting either criterion receive a lump sum payment of five days salary, based on the termination salary rate, for each year of service with SGI.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit as at termination or retirement based on the formula identified above.

The benefit received is considered a retiring allowance under *The Income Tax Act (Canada)* and is taxable in the hands of the member. A member who has years of service earned prior to 1996 is eligible for a portion of this payment to be a tax-free direct transfer to their RRSP.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

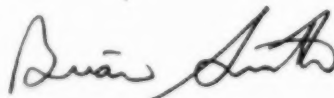
As administrators of the Saskatchewan Government Insurance Service Recognition Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

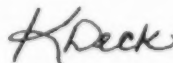
We believe the Saskatchewan Government Insurance Service Recognition Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events which require approval by management.

We enclose the financial statements of the Saskatchewan Government Insurance Service Recognition Plan for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 27, 2009

Actuary's Opinion

Aon Consulting Inc. was retained by Saskatchewan Government Insurance (SGI) to perform an actuarial valuation of the SGI Service Recognition Plan as at December 31, 2008. This valuation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2008.

In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based is sufficient and reliable;
- the actuarial cost methods employed are appropriate; and
- the valuation conforms with the requirements of The Canadian Institute of Chartered Accountants Handbook Section 3461.

The assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation;

Emerging experience differing from the assumptions will result in gains or losses, which will be revealed in subsequent valuations.

This actuarial valuation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.



David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 23, 2009

**Saskatchewan Government Insurance
Service Recognition Plan**

Financial Statements

Year Ended December 31, 2008

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued benefits obligation and surplus of the Saskatchewan Government Insurance Service Recognition Plan as at December 31, 2008, the statement of changes in net assets available for benefits and the statement of changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits obligation and surplus of the Plan as at December 31, 2008 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
February 23, 2009

**Saskatchewan Government Insurance
Service Recognition Plan
Statement of Net Assets Available for Benefits and Accrued
Benefits Obligation and Surplus**

Statement 1

As at December 31

	2008	2007
	(000's)	
ASSETS		
SGI contributions receivable (Note 3)	\$6,344	\$7,181
NET ASSETS AVAILABLE FOR BENEFITS	<u>6,344</u>	<u>7,181</u>
Termination benefits payable (Note 6)	68	31
Accrued benefits obligation (Note 3)	6,276	7,150
	<u>6,344</u>	<u>7,181</u>
SURPLUS	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**Saskatchewan Government Insurance
Service Recognition Plan
Statement of Changes in Net Assets Available for Benefits**

Statement 2

Year Ended December 31

	<u>2008</u>	<u>2007</u>
	(000's)	
INCREASE IN ASSETS		
SGL contributions (Note 3)	<u>\$308</u>	<u>\$1,806</u>
Total increase in assets	<u>308</u>	<u>1,806</u>
DECREASE IN ASSETS		
Benefit Payments	<u>(1,145)</u>	<u>(479)</u>
Total decrease in assets	<u>(1,145)</u>	<u>(479)</u>
(Decrease) increase in net assets	(837)	1,327
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	<u>7,181</u>	<u>5,854</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	<u>\$6,344</u>	<u>\$7,181</u>

(See accompanying notes to the financial statements)

**Saskatchewan Government Insurance
Service Recognition Plan
Statement of Changes in Accrued Benefits Obligation**

Statement 3

Year Ended December 31

	<u>2008</u>	<u>2007</u>
	(000's)	
Accrued benefits obligation, beginning of the year	<u>\$7,150</u>	<u>\$5,822</u>
INCREASE IN ACCRUED BENEFITS OBLIGATION:		
Benefits accrued	351	552
Interest on accrued obligation	365	274
Net experience losses	647	688
Change in assumptions	<u>-</u>	<u>293</u>
	<u>1,363</u>	<u>1,807</u>
DECREASE IN ACCRUED BENEFITS OBLIGATION:		
Eligible employee terminations	1,145	- 479
Change in assumptions	<u>1,092</u>	<u>-</u>
	<u>2,237</u>	<u>479</u>
Accrued benefits obligation, end of year	<u><u>\$6,276</u></u>	<u><u>\$7,150</u></u>

(See accompanying notes to the financial statements)

**Saskatchewan Government Insurance
Service Recognition Plan
Notes to the Financial Statements**

December 31, 2008

1. Description of the Plan

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) on January 1, 1999 for the purpose of providing certain retirement benefits to SGI employees (the Participants).

The Plan is not registered under the *Income Tax Act (Canada)*. SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SGI.

SGI managed the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and SGI, which specifies the administrative services that SGI will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

Under the Plan, SGI out-of-scope employees are eligible for benefits upon termination of employment with SGI. Employees who are terminated for cause are not eligible. Employees must reach their benefit eligibility date prior to termination in order to receive benefits from the Plan. The benefit eligibility date is the earlier of:

- a) age plus service equal to or greater than 75; or
- b) age 50

At December 31, 2008, there were 258 (2007 – 251) participants in the Plan and 20 (2007 – 9) terminated participants who received benefits from the Plan during the year.

Benefits

Employees meeting the eligibility criteria receive a lump sum payment of five days salary (salary rate being the salary paid at the time of cessation of active work) for each year of continuous service less ineligible leave time and ineligible partial service time. Prior to January 1, 2006, the lump sum payment was based on three days salary.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation identified above.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

(a) Future Accounting Policy Changes

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Plan, will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. Impacts on the Plan will be considered as part of SGI's IFRS conversion project, which will include the Plan, including initiating the development of a high level IFRS implementation plan. An external advisor has been engaged by SGI to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Plan's future financial statements is not reasonably determinable.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is a receivable from SGI and will be funded by SGI as eligible employees terminate employment. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SGI's management.

Aon Consulting Inc. performed an actuarial valuation as at December 31, 2007 and extrapolated it to December 31, 2008 to determine the actuarial present value of the accrued benefits obligation.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following significant assumptions:

	2008	2007
Discount rate		
Beginning of year	5.25%	4.68%
End of year	7.40%	5.25%
Inflation rate	2.50%	2.50%
General salary increase	8.00% for	8.00%
	1 year	2 years
	and	and
	3.50%	3.50%
	thereafter	thereafter
Expected average remaining service life (EARS�)	12 years	12 years

Net experience gains or losses result from differences between actual and expected employee terminations, retirements, salary increases and deaths. The experience losses of \$647,000 recorded in 2008 relate to current year terminations and salaries being different than expected, and the addition of new members to the Plan.

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2008 (000's)	Percentage Change in Obligation
Inflation Rate	Plus 1%	13	0.21%
	Minus 1%	(13)	(0.21)%
Total Discount Rate	Plus 1%	(430)	(6.85%)
	Minus 1%	484	7.71%
General Salary Increase	Plus 1%	496	7.86%
	Minus 1%	(446)	(7.10%)

In assessing the change arising from a change in the inflation rate assumption, both the salary increase rate and the discount rate are changed, as they include inflation as a component.

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued pension benefits and surplus that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SGI, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of its contributions receivable from SGI.

5. Related Party Transactions

Included in these financial statements are transactions with SGI and PEBA, which are related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SGI at no charge. Additionally, PEBA provides administrative services to the Plan for a yearly administration fee of \$1,000, which is paid by SGI.

6. Termination Benefits Payable

The termination benefits payable for the Plan relate to benefits owed to eligible plan members who retired or left the plan but did not receive their benefits by the year end.

